

CONFIDENTIAL

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Mr Young, EU

BRITISH INVOLVEMENT IN IRAQI ARMS PROCUREMENT

1. We spoke earlier about the attached article which appeared in the Sunday Times on 2 December. Although the article claims to reveal evidence of British involvement in Iraqi arms procurement, the article in fact concentrates on exports to Iraq of machine tools and, in particular, on the activities of the Iraqi-owned firm Matrix Churchill.
2. Much of the story will already be well known to any journalist who has kept a close watch on Iraq's procurement network. Questions have been raised regularly about the export licences granted to machine tool firms for exports to Iraq. We have a long history of battles with the DTI over export licences for machine tools, largely due to our concern over the proliferation aspects of allowing machine tool exports to Iraq.
3. The DTI line has always been that machine tools can be used for a wide number of purposes, many of them civilian. There was no evidence to prove that machine tools exported to Iraq were being put to military use. Without such evidence an export licence could not be refused. This line was, to say the least, disingenuous. They now say that, since COCOM guidelines were relaxed, machine tools do not require an export licence in any case.
4. The article's main new point is a claim that Alan Clark, then Trade Minister, held a meeting with machine tool firms in 1988 in the course of which he gave those present "helpful hints" on how to fill in their licence applications to minimise the chance of their exports being blocked. The article claims to quote from confidential minutes, but since the article does not claim that the minutes came from a Government source, I presume that they must originate from one of the firms attending the meeting.
5. The Foreign Office does not come in for direct criticism. The article makes clear that we had grave misgivings about the export of machine tools and that we were the main opposition within Whitehall to the granting of licences. Our case is not helped, however, by the fact that my predecessor, Mark Hyslop, is quoted as saying that "Everybody knew the equipment could be used for making shells". The article identifies him as "a former Foreign Office diplomat involved in vetting export licence applications to Iraq".
6. It is unlikely that we will be called upon to comment on this article, but you and copy addressees will wish to be aware of it. The DTI are saying that their Ministers would never seek to assist firms trying to break the law or get round sanctions.

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Any further coverage might well be of particular export licences.  
DTI will almost certainly follow the usual line, which is that  
they will not comment on individual licence applications.

*[Handwritten signature]*

D J Hope  
Emergency Unit

2 December 1990

cc:

PS/Mr Hogg  
PS/PUS  
Mr Fairweather  
Mr Broomfield  
Mr Gore-Booth  
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